

BEFORE THE STATE BOARD OF EQUALIZATION  
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }  
LONG BEACH BUILDING AND LOAN ASSOCIATION }

Appearances:

For Appellant: Frank M. Linnell, Vice-President, and L. E. Glocksman, Auditor  
For Respondent: B.D. Lack, Franchise Tax Counsel, and C. Bondeson, Auditor

O P I N I O N

This is an appeal pursuant to Section 25 of the Bank and Corporation Franchise Tax Act (Chapter 13, Statutes of 1929, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of the Long Beach Building and Loan Association to his proposed assessment of an additional tax of \$10,382.92 based upon the return of income of the corporation for the year ended December 31, 1934.

The question presented by this appeal is the application of the tax to an amount which represents the difference between the amount of interest payable by the Association to its investors pursuant to the terms of the contracts between the Association and the investors and the amount of interest paid to the investors for the year 1934, the difference or balance being withheld by the Association and placed in a reserve account pursuant to Section 809 of the California Building and Loan Act (Chapter 31, Statutes of 1933).


This identical question was considered by the Board in a prior appeal filed by the Association with respect to its return of income for the year ended December 31, 1933, and a decision rendered therein on October 25, 1935, sustaining the position of the Franchise Tax Commissioner. We are still of the opinion, for the reasons set forth in our decision in the prior appeal, that the position of the Commissioner is correct and that the Appellant is not entitled to deduct from its gross income for the year 1934 the amount withheld from its investors during that year pursuant to Section 8.09 of the Building and Loan Act.

O R D E R .

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the action of Chas. J. McColgan, Franchise Tax Commissioner, in overruling

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 the protest of the Long Beach Building and Loan Association? a corporation, to a proposed assessment of an additional tax in the amount of \$10,382.92 based upon the return of income of said corporation for the year ended December 31, 1934, pursuant to Chapter 13, Statutes of 1929, as amended, be and the same is hereby sustained.

Done at Sacramento, California, this 6th day of April, 1934  
by the State Board of Equalization.

R. E. Collins, Chairman  
Ray Edgar, Member  
Jno. C. Corbett, Member  
Fred E. Stewart, Member

ATTEST: Dixwell L. Pierce, Secretary